

Scenario 7: Rate Freeze/Transition Period Extension

Scenario 7

- ***Scenario 7. Rate freeze / transition period extension (continuation of current regulation). Permutations:***
- Full Extension: A “simple” extension of the Mandatory Transition Period beyond January 2, 2007.
- Partial Extension: A “simple” extension of the rate freeze only, otherwise an end to the transition period.

Full Extension Scenario

- Would continue the status quo
- PROS:
 - 1.) Would provide more time to work out the development of RTOs.
 - ★ Seams issue resolution
 - ★ Day 2 implementation and adjustment

Full Extension Pros (cont.)

2.) Provide more time for
“competitive” procurement issues
to be resolved.

Full Extension Cons

- 1.) Possibility of little incentive to work on power procurement issues (if market prices are low relative to embedded energy costs in bundled rates)
- 2.) Competition may continued to be limited by CTC and PPO, etc.
- 3.) Possible lack of wholesale market development during extension due to uncertainty.

Partial Extension

Transition Period Ends:

Presumes an elimination of CTC/PPO extensions, other than those PPO-like products mandated past the end of the transition period.

Partial Extension Pros

- 1.) Would allow competitive fringe to develop more effectively absent PPO and CTC uncertainty.
- 2.) Wholesale market would have more signals to develop than under full extension plan (see above)

Partial Extension Cons

- 1.) Possibility of little incentive to work on power procurement issues (if market prices are low relative to embedded energy costs in bundled rates)
- 2.) Wholesale market uncertainty?